

**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

(With Summarized Financial Information for 2012)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JAN 01 2014**

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
June 30, 2013
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of David Raines Community Health Center, Inc., (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Raines Community Health Center, Inc., as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited David Raines Community Health Center, Inc.'s 2012 financial statements, and our report dated November 15, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of David Raines Community Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering David Raines Community Health Center, Inc.'s internal control over financial reporting and compliance.

Bentley, Finley, White & Co.
Ridgeland, Mississippi
September 13, 2013

EXHIBIT I

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2013
(With Summarized Financial Information for 2012)

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 275,949	\$ 205,695
Certificates of deposit	400,000	100,000
Investments	-	100,000
Patient care receivables, less allowance of \$(224,476) for doubtful accounts	266,518	339,982
Grants receivable	134,523	62,860
Accounts receivable - other	10,486	3,857
Inventory - pharmacy	107,314	115,460
Prepaid expenses	18,643	28,419
Total Current Assets	<u>1,213,433</u>	<u>956,273</u>
Fixed Assets:		
Land	78,959	78,959
Building and improvements	4,223,417	3,971,692
Furniture and equipment	1,989,154	1,934,468
Construction in progress	40,911	-
Vehicles	428,450	374,825
	6,760,891	6,359,944
Less: Accumulated depreciation	(2,481,684)	(2,212,832)
Net Fixed Assets	<u>4,279,207</u>	<u>4,147,112</u>
TOTAL ASSETS	<u>\$ 5,492,640</u>	<u>\$ 5,103,385</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT I
(Continued)

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2013
(With Summarized Financial Information for 2012)

<u>LIABILITIES AND NET ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Liabilities:		
Accounts payable	\$ 502,819	\$ 296,745
Line of credit payable	100,000	-
Other payroll deductions payable	-	6,247
Salaries payable	125,427	106,333
Accrued annual leave	224,774	218,698
Other current liabilities	-	20,907
Deferred revenue	-	101,418
Current portion of capital lease obligation	1,013	4,751
Current portion of long term debt	107,570	740,520
Total Current Liabilities	<u>1,061,603</u>	<u>1,495,619</u>
Long-Term Liabilities		
Notes payable, net of current portion	698,172	175,187
Capital lease payable, net of current portion	-	433
Total Long-Term Liabilities	<u>698,172</u>	<u>175,620</u>
Total Liabilities	<u>1,759,775</u>	<u>1,671,239</u>
Net Assets:		
Unrestricted		
Undesignated (Operating)	682,969	600,125
Section 329/330(d) reserve	205,193	119,412
Fixed assets	<u>2,844,703</u>	<u>2,712,609</u>
Total Net Assets	<u>3,732,865</u>	<u>3,432,146</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,492,640</u>	<u>\$ 5,103,385</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT II

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Activities
For the Year Ended June 30, 2013
(With Summarized Financial Information for 2012)

	<u>Operations</u>	<u>Fixed Assets</u>	<u>2013</u>	<u>2012</u>
SUPPORT AND REVENUES				
Support:				
Grants and contracts	\$ 2,796,981	-	\$ 2,796,981	\$ 3,131,043
Total Support	<u>2,796,981</u>	<u>-</u>	<u>2,796,981</u>	<u>3,131,043</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$5,274,087	6,117,328	-	6,117,328	5,762,560
Contributions	-	-	-	9,400
Interest income	2,956	-	2,956	2,167
Gain on sale of investment	467,595	-	467,595	-
Other income	245,833	-	245,833	645,151
In-kind revenues	-	-	-	128,007
Total Revenue	<u>6,833,712</u>	<u>-</u>	<u>6,833,712</u>	<u>6,547,285</u>
TOTAL SUPPORT AND REVENUES	<u>9,630,693</u>	<u>-</u>	<u>9,630,693</u>	<u>9,678,328</u>
EXPENSES				
Program Services				
Health care services	5,178,199	-	5,178,199	5,512,110
Community services	840,705	-	840,705	562,645
Total Program Services	<u>6,018,904</u>	<u>-</u>	<u>6,018,904</u>	<u>6,074,755</u>
Supporting Services				
Management and general	3,063,064	268,852	3,331,916	3,074,207
Total Supporting Services	<u>3,063,064</u>	<u>268,852</u>	<u>3,331,916</u>	<u>3,074,207</u>
TOTAL EXPENSES	<u>9,081,968</u>	<u>268,852</u>	<u>9,350,820</u>	<u>9,148,962</u>
Change in Net Assets	548,725	(268,852)	279,873	529,366
Net Assets, Beginning of Year	719,537	2,712,609	3,432,146	2,902,780
Prior period adjustment	20,846	-	20,846	-
Net Assets, as restated	<u>740,383</u>	<u>2,712,609</u>	<u>3,452,992</u>	<u>2,902,780</u>
Other changes in net assets				
Acquisition of fixed assets	(400,946)	400,946	-	-
	<u>(400,946)</u>	<u>400,946</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 888,162</u>	<u>2,844,703</u>	<u>\$ 3,732,865</u>	<u>\$ 3,432,146</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT III

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2013
(With Summarized Financial Information for 2012)

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	2013	2012
Changes in Net Assets	\$ 279,873	\$ 528,388
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	268,852	204,784
Prior period adjustment	20,846	-
Decrease (increase) in:		
Patient care receivables	73,464	(64,955)
Inventory	8,148	(30,925)
Other receivable	(8,629)	(3,857)
Grants receivable	(71,683)	2,398
Prepaid expenses	9,779	(28,110)
Increase (decrease) in:		
Accounts payable	206,074	(92,114)
Payroll taxes payable	-	(11,154)
Other payroll deductions payable	(6,247)	(7,443)
Refundable advances	(101,418)	101,418
Other liabilities	(20,910)	18,705
Accrued annual leave	6,076	12,648
Accrued salary payable	19,094	(44,070)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>685,337</u>	<u>586,671</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(200,000)	-
Acquisition of fixed assets	<u>(400,947)</u>	<u>(976,323)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(600,947)</u>	<u>(976,323)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on capital lease	(4,171)	(8,003)
Principal payment on notes payable	<u>(9,965)</u>	<u>(105,398)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(14,136)</u>	<u>(113,401)</u>
NET INCREASE (DECREASE) IN CASH	70,254	(503,053)
CASH, BEGINNING OF YEAR	<u>205,695</u>	<u>708,748</u>
CASH, END OF YEAR	<u>\$ 275,949</u>	<u>\$ 205,695</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	<u>\$ 29,501</u>	<u>\$ 31,606</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT IV

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2013
(With Summarized Financial Information for 2012)

	PROGRAM SERVICES			SUPPORTING SERVICES		
	Health Care Services	Community Services	Total Program Services	Management and General	2013	2012
Personnel	\$3,599,582	571,507	4,171,089	1,423,655	\$ 5,594,744	\$ 5,560,345
Fringe benefits	394,037	53,241	447,278	229,094	676,372	668,659
Travel	36,369	6,543	42,912	51,685	94,597	137,625
Supplies	1,031,341	10,167	1,041,508	158,166	1,199,674	1,303,068
Equipment rental	-	-	-	41,403	41,403	37,805
Contractual	34,989	196,084	231,073	163,087	394,160	368,411
Legal	1,111	-	1,111	245	1,356	4,567
Dues and subscriptions	8,758	355	9,113	35,469	44,582	25,664
Utilities	-	929	929	89,827	90,756	88,713
Repairs and maintenance	45,525	177	45,702	304,226	349,928	335,603
Insurance	-	-	-	58,470	58,470	48,378
Staff recruitment	694	-	694	12,488	13,182	23,166
Public relations	-	-	-	60,515	60,515	26,899
Security	511	-	511	4,893	5,404	3,014
Training and development	13,458	1,104	14,562	52,868	67,430	26,791
Telephone	-	-	-	201,840	201,840	119,780
Postage	199	-	199	7,566	7,765	13,286
Printing	1,990	598	2,588	1,537	4,125	10,754
Space cost	-	-	-	16,161	16,161	13,862
Interest	-	-	-	29,501	29,501	31,606
Bank charges	838	-	838	34,189	35,027	35,278
Food and beverage	1,296	-	1,296	17,026	18,322	19,826
Board expenses	-	-	-	29,351	29,351	16,044
Fundraising	-	-	-	1,120	1,120	199
Property and other taxes	6,925	-	6,925	8,220	15,145	20,585
Other	576	-	576	30,462	31,038	4,270
Total expenses before depreciation	5,178,199	840,705	6,018,904	3,063,064	9,081,968	8,944,198
Depreciation	-	-	-	268,852	268,852	204,764
Total Expenses	<u>\$5,178,199</u>	<u>840,705</u>	<u>6,018,904</u>	<u>3,331,916</u>	<u>\$ 9,350,820</u>	<u>\$ 9,148,962</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 1 - ABOUT THE ORGANIZATION

David Raines Community Health Center, Inc. (DRCHC), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. DRCHC was incorporated for the purpose of delivering comprehensive primary health care services to all individuals and families in the surrounding contiguous areas.

The fiscal year of DRCHC is July 1 through June 30.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of David Raines Community Health Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605-30-4, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Assets acquired with a unit cost of \$5,000 is capitalized and depreciated over their estimated useful lives.

The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.

- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - DRCHC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
- N. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 275,949	\$ 275,949
Certificates of deposit	400,000	400,000
Financial liabilities:		
Capital lease payable	\$ 1,013	\$ 1,013
Notes payable	805,742	805,742

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Center maintains its cash balances in three (3) financial institutions located in Shreveport, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013, the Center did not have an uninsured cash balance.

NOTE 5 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at June 30, 2013:

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 174,051
Government	212,157
Other	104,786
	<u>\$ 490,994</u>

Allowance for doubtful accounts is summarized as follows at June 30, 2013

<u>Allowance :</u>	<u>Amount</u>
Patients	\$ 103,882
All Other	120,594
	<u>\$ 224,476</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 6 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at June 30, 2013:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 11,391,415
Less: Contractual adjustment under third-party reimbursement program and discounts	(5,063,635)
Provision for bad debts	(210,452)
Net Patient Service Revenue	<u>\$ 6,117,328</u>

NOTE 7 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation at June 30, 2013:

<u>Assets</u>	<u>Cost</u>
Land	\$ 78,959
Buildings and Improvements	4,223,417
Furniture and Equipment	1,989,154
Construction in Progress	40,911
Vehicles	<u>428,450</u>
Total Fixed Assets	6,760,891
Less: Accumulated Depreciation	<u>(2,481,684)</u>
Net Fixed Assets	<u>\$ 4,279,207</u>

NOTE 8 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for Federal or Louisiana corporate income taxes in the accompanying financial statements.

The Organization has adopted recently issued accounting principles related to uncertain tax positions for the year ended June 30, 2013 and has evaluated its tax positions taken for all open tax years. Currently, 2010, 2011 and 2012 tax years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2013.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 9 - RETIREMENT PLAN

The Center has a Section 403(b) retirement annuity plan on all eligible employees. Currently, the Center contributes to the plan three percent (3%) of gross wages. Each employee is allowed to contribute up to six percent (6%) of gross wages. The retirement expense for the fiscal year is \$51,323.

NOTE 10 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at June 30, 2013 in the amount of \$224,774 is included in the financial statements. See Note 2.J. above.

NOTE 11 - SUMMARY OF FUNDING AND SUPPORT

David Raines Community Health Center's operations are funded through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services	H80CS00720	7/1/12 - 6/30/13	\$ 2,173,152
U.S. Department of Health and Human Services	C8BCS23976	7/1/12-6/30/13	553,012
Louisiana State Department of Health and Hospitals (WIC)	652051	7/1/12-6/30/13	383,050
State of Louisiana Workforce Commission	N/A	7/1/12-6/30/13	39,036
United Way	N/A	7/1/12-6/30/13	9,399
Louisiana Primary Care Association	N/A	7/1/12-6/30/13	<u>182,619</u>
TOTAL			\$ <u>3,340,268</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 12 - LONG-TERM NOTES PAYABLE

Notes payable consist of the following at June 30, 2013:

6.11% note dated November 23, 2005, payable in monthly payments of \$2,439 which includes principal and interest only; matures , December 1, 2020, collateralized by Minden Clinic Building	\$ 174,518
1.00% note dated April 14, 2013, payable in monthly payments of \$7,868 which includes principal and interest only; matures May 14, 2020; collateralized by Bossier Clinic Building	<u>631,224</u>
TOTALS	805,742
Less: Current portion	<u>(107,570)</u>
Total Long-Term Debt	\$ <u>698,172</u>

Maturities of long-term debt are as follows:

2014	\$ 107,570
2015	109,900
2016	112,083
2017	114,355
2018	116,722
Thereafter	<u>245,112</u>
Totals	\$ <u>805,742</u>

NOTE 13 - CAPITAL LEASE PAYABLE

The Center leases certain equipment under agreements classified as capital leases. The capital lease obligations are collateralized by the equipment.

Future minimum lease payments under capital leases as of June 30, 2013 are as follows:

Various leases payable in monthly installments of \$1,891 which includes principal and interest. Maturity dates through August 2014.

Year Ending June 30	
2014	\$ <u>1,033</u>
Total future lease payments	1,033
Less: amount representing interest	<u>(20)</u>
Present value of minimum lease payments	1,013
Less: current portion	<u>(1,013)</u>
Non-current capital lease obligation	\$ <u>-</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 14 - BANK LINE OF CREDIT PAYABLE

David Raines Community Health Center, Inc. has available a secured line-of-credit agreement dated November 1, 2011 with Capital One Bank in which David Raines Community Health Center, Inc. may borrow up to \$200,000. Borrowing under the line bears interest at 4.67%. As of June 30, 2013, David Raines Community Health Center, Inc.'s outstanding balance on the line-of-credit was \$100,000.

NOTE 15 - LITIGATION

David Raines Community Health Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, David Raines Community Health Center, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of David Raines Community Health Center, Inc.

NOTE 16 - ADVERTISING

David Raines Community Health Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending June 30, 2013, advertising cost totaled \$60,515.

NOTE 17 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 22% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2013

NOTE 18 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 19 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE 20 - SALE OF INVESTMENT

In November 2012, David Raines Community Health Center, Inc. received proceeds of \$567,595 from the disposition of its 5.16% ownership in LPC&A, LLC.

NOTE 21 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 13, 2013, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
Bureau of Primary Health Care			
Health Centers Cluster	93.224	H80CS00720	\$ 1,629,864
Affordable Care Act - Health Center Planning Grant	93.527	H80CS00720	<u>543,287</u>
			<u>2,173,151</u>
Direct Program:			
Capital Development	93.526	C8BCS23976	<u>9,275</u>
			<u>9,275</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,182,426</u>
<u>U. S. Department of Agriculture</u>			
Pass Through State of Louisiana			
Department of Health and Hospitals			
Women, Infant & Children Grant (WIC)	10.557	691987	<u>383,050</u>
			<u>383,050</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,565,476</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by David Raines Community Health Center, Inc. for the year ended June 30, 2013, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between David Raines Community Health Center, Inc. and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of David Raines Community Health Center, Inc., it is not intended to and does not present either the financial position or the changes in net assets of David Raines Community Health Center, Inc.

SUPPLEMENTARY INFORMATION

SCHEDULE A

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Combining Schedule of Support and Revenues
For the Year Ended June 30, 2013

	<u>HHS Section 330 Funds</u>	<u>Louisiana Primary Care Association</u>	<u>WIC Program</u>	<u>Other Grants</u>	<u>Capital Grant</u>	<u>Total</u>
SUPPORT AND REVENUES:						
Support:						
Grants and contracts	\$ 2,173,153	182,619	383,050	48,434	9,725	\$ 2,796,981
Total Support	<u>2,173,153</u>	<u>182,619</u>	<u>383,050</u>	<u>48,434</u>	<u>9,725</u>	<u>2,796,981</u>
Revenue:						
Health care services, net of charity, bad debts and adjustments of \$5,274,087	6,117,328	-	-	-	-	6,117,328
Gain on sale of investment	467,595	-	-	-	-	467,595
Interest income	2,956	-	-	-	-	2,956
Other income	245,833	-	-	-	-	245,833
In-kind revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 9,006,865</u>	<u>\$ 182,619</u>	<u>383,050</u>	<u>48,434</u>	<u>9,725</u>	<u>\$ 9,630,693</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
David Raines Community Health Center, Inc.
Alexandria, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of David Raines Community Health Center, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered David Raines Community Health Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether David Raines Community Health Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Banks, Finley, White & Co.

Ridgeland, Mississippi
September 13, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

We have audited David Raines Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of David Raines Community Health Center, Inc.'s major federal programs for the year ended June 30, 2013. David Raines Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of David Raines Community Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about David Raines Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of David Raines Community Health Center, Inc. compliance.

Opinion on Each Major Federal Program

In our opinion, David Raines Community Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of David Raines Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered David Raines Community Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

Banks, Finley, White & Co.

Ridgeland, Mississippi
September 13, 2013

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Auditee's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

There were no audit findings for the year ended June 30, 2012.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | None |
| 7. | Federal programs identified as major programs: | |
| | U. S. Department of Health and Human Services
Health Center Cluster, CFDA # 93.224 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee did not qualify as a low-risk Auditee. | |

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section 2 - Findings - Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE